

**ARMSTRONG-RINGSTED
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2010 Election)

Rod Foster	President	2011
Howard Taylor	Vice President	2011
Jim Boyer		2013
Jen VonBank		2013
Karen Thackery		2010

(After September 2010 Election)

Rod Foster	President	2011
Jim Boyer	Vice President	2013
Howard Taylor		2011
Jen VonBank		2013
Karen Thackery		2013

School Officials

Randy Collins	Superintendent
Deb Obbink	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- I.R.S. Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Armstrong-Ringsted Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

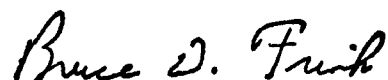
In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2012 on our consideration of Armstrong-Ringsted Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report the financial statements for the five years ended June 30, 2010 and expressed an unqualified opinion on those financial statements. The financial statements for the four years ended June 30, 2005 (which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 22, 2012

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Armstrong-Ringsted Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,558,879 in fiscal 2010 to \$4,382,212 in fiscal 2011, while General Fund expenditures increased from \$3,437,831 in fiscal 2010 to \$3,582,476 in fiscal 2011. The District's General Fund balance increased from \$413,153 in fiscal 2010 to \$1,212,889 in fiscal 2011.
- Local taxes increased due to a \$650,000 cash reserve levy to offset prior year state aid cuts. Expenditures were 4% greater than the prior year. The District reduced administrative expenses primarily by sharing the superintendent with Graettinger-Terril Community School District. The District closely monitors staffing requirements and discretionary spending.
- The District's solvency ratio was 26% at the end of fiscal year 2011. The solvency ratio is indicative of the District's ability to meet its financial obligations. Recommended solvency ratio is commonly around 10%.
- The District's Capital Projects Fund decreased by over \$100,000 this year, as prior year borrowings were used for infrastructure projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Armstrong-Ringsted Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Armstrong-Ringsted Community School District Annual Financial Report

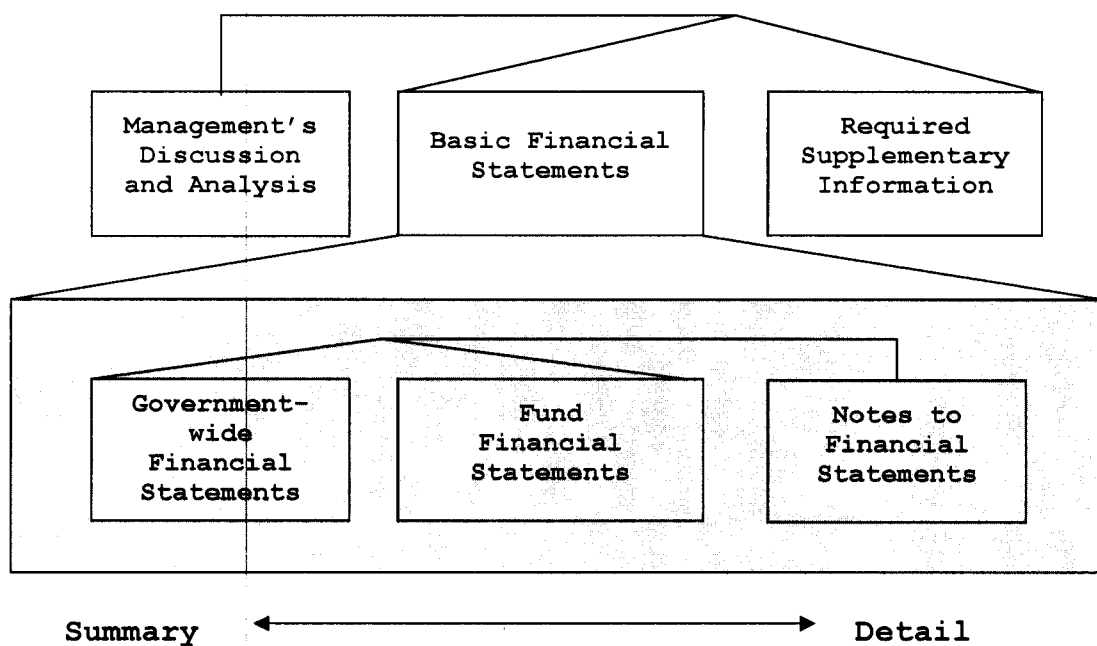


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Agency Funds* - The District holds money for outside groups in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 5,270	4,037	21	29	5,291	4,066	30.13%
Capital assets	3,982	3,821	1	2	3,983	3,823	4.19%
Total assets	9,252	7,858	22	31	9,274	7,889	17.56%
Current liabilities	2,578	2,170	1	-	2,579	2,170	18.85%
Non-current liabilities	2,142	2,311	-	-	2,142	2,311	0.00%
Total liabilities	4,720	4,481	1	-	4,721	4,481	5.36%
Net assets:							
Invested in capital assets, net of related debt	1,944	1,624	1	2	1,945	1,626	19.62%
Restricted	1,386	1,329	-	-	1,386	1,329	4.29%
Unrestricted	1,202	424	20	29	1,222	453	169.76%
Total net assets	\$ 4,532	3,377	21	31	4,553	3,408	33.60%

Unrestricted net assets increased due to increased local revenues as well as cost containment measures especially in non-classroom areas. Capital assets increased as the District used QZAB Bond funds for infrastructure and technology projects. This will decrease dramatically as funds are spent.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 287	203	79	83	366	286	27.97%
Operating grants, contributions and restricted interest	919	865	73	76	992	941	5.42%
General revenues:							
Property tax	2,592	1,867	-	-	2,592	1,867	38.83%
Income surtax	217	201	-	-	217	201	7.96%
Statewide sales, services and use tax	258	182	-	-	258	182	41.76%
Unrestricted state grants	1,026	943	-	-	1,026	943	8.80%
Unrestricted investment earnings	8	20	-	-	8	20	-60.00%
Other	31	121	-	-	31	121	-74.38%
Total revenues	5,338	4,402	152	159	5,490	4,561	20.37%
Program expenses:							
Governmental activities:							
Instruction	2,661	2,779	-	-	2,661	2,779	-4.25%
Support Services	1,066	963	-	-	1,066	963	10.70%
Non-instructional programs	-	-	162	160	162	160	1.25%
Other expenses	458	585	-	-	458	585	-21.71%
Total expenses	4,185	4,327	162	160	4,347	4,487	-3.12%
Change in net assets	\$ 1,153	75	(10)	(1)	1,143	74	1844.59%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,402,071 and expenses were \$4,327,194 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenditures, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 2,661	2,779	-4.25%	1,605	1,894	-15.26%
Support services	1,066	963	10.70%	1,059	921	14.98%
Other expenses	458	585	-21.71%	315	444	-29.05%
Totals	\$ 4,185	4,327	-3.28%	2,979	3,259	-8.59%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$287,376.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$563,123.
- The net cost of governmental activities was financed with \$2,591,224 in property tax and \$1,025,993 in state foundation aid.

Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$151,813 and expenses totaled \$162,167. The revenues include charges for services, contributions, and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Armstrong-Ringsted Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balances of \$2,490,883, which is 46% more than last year's ending fund balance of \$1,707,324. The District borrowed \$1,000,000 for technology and infrastructure. The balance will drop when these funds are completely spent.

Governmental Fund Highlights

- The District has a 26% solvency ratio.
- The General Fund grew due to increased local taxes and cost containment measures, including sharing the superintendent position with Graettinger-Terril Community School District.
- The statewide sales, services and use tax is aiding the school in infrastructure and technology projects.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased by over \$10,000 in fiscal 2010.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. Expenditures for the year ending June 30, 2011, did not exceed the certified budget amount in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

Actual revenues were greater than budgeted amounts in the local and federal source revenues, but did not fully offset the shortfall in state revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$3.9 million, net of accumulated depreciation, by the end of fiscal 2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year. Total depreciation expenses for the year exceeded \$270,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 20	20	-	-	20	20	0.00%
Site improvements	111	111	-	-	111	111	0.00%
Buildings	3,432	3,214	-	-	3,432	3,214	6.78%
Furniture and equipment	419	476	1	2	420	478	-12.13%
Totals	<u>\$ 3,982</u>	<u>3,821</u>	<u>1</u>	<u>2</u>	<u>3,983</u>	<u>3,823</u>	<u>4.19%</u>

Long-Term Debt

The District has the following outstanding debt. Early retirement is granted on a year by year basis. General obligation bonds will fully mature in 2022. See notes to the financial statements for more information regarding the Retiree Health Obligation.

A bus lease has remaining only a purchase option at the time for fair market value.

In 2010, the District issued \$1,000,000 in Quality Zone Academy Bonds to be used for technology and infrastructure projects. It will be repaid over 15 years from regular tax proceeds of the Capital Projects Fund.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Early retirement	\$ 90	107	-15.89%
Leases payable	50	59	-15.25%
Net OPEB liability	13	7	100.00%
QZAB bonds	874	938	100.00%
General obligation bonds	1,115	1,200	-7.08%
Total	\$ 2,142	2,311	-7.31%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- The District continues sharing superintendent services with Graettinger and Terril Community School Districts.
- Sharing students and programs with North Kossuth and Sentral will fully begin in the 2012-2013 school year. Athletic sharing, except for football, began in 2011-2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erin Rogers, Business Manager, Armstrong-Ringsted Community School District, PO Box 75, Armstrong, IA 50514-0075.

Basic Financial Statements

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental	Business Type Activities	
	Activities	School Nutrition	Total
Assets			
Cash and pooled investments	\$ 2,543,850	9,116	2,552,966
Receivables:			
Property tax:			
Current year	28,952	-	28,952
Succeeding year	2,337,966	-	2,337,966
Income surtax - succeeding year	207,551	-	207,551
Due from other governments	149,050	-	149,050
Other receivables	2,529	-	2,529
Inventories	-	11,798	11,798
Capital assets, net of accumulated depreciation	3,982,218	1,141	3,983,359
Total assets	<u>9,252,116</u>	<u>22,055</u>	<u>9,274,171</u>
Liabilities			
Accounts payable	142,578	100	142,678
Accrued payroll and benefits	9,641	-	9,641
Accrued interest payable	6,180	-	6,180
Unearned revenues	-	1,028	1,028
Deferred revenue:			
Succeeding year property tax	2,337,966	-	2,337,966
Federal programs	81,279	-	81,279
Long-term liabilities:			
Portion due within one year:			
Early retirement	53,373	-	53,373
General obligation bonds payable	90,000	-	90,000
QZAB loan payable	66,482	-	66,482
Leases payable	49,439	-	49,439
Portion due after one year:			
Early retirement	37,099	-	37,099
General obligation bonds payable	1,025,000	-	1,025,000
QZAB loan payable	807,222	-	807,222
Net OPEB payable	13,494	-	13,494
Total liabilities	<u>4,719,753</u>	<u>1,128</u>	<u>4,720,881</u>
Net assets			
Invested in capital assets, net of related debt	1,944,075	1,141	1,945,216
Restricted for:			
Categorical funding	82,069	-	82,069
Student activities	77,303	-	77,303
Management levy	107,662	-	107,662
School infrastructure	506,512	-	506,512
Physical plant and equipment levy	608,109	-	608,109
Debt service	4,862	-	4,862
Unrestricted	<u>1,201,771</u>	<u>19,786</u>	<u>1,221,557</u>
Total net assets	<u>4,532,363</u>	<u>20,927</u>	<u>4,553,290</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
Functions/Programs:						
Governmental activities:						
Instruction	\$ 2,661,624	287,376	769,721	(1,604,527)	(1,604,527)	
Support services:						
Student services	75,421	-	-	(75,421)	(75,421)	
Instructional staff services	59,490	-	-	(59,490)	(59,490)	
Administration services	411,173	-	-	(411,173)	(411,173)	
Operation and maintenance of plant services	360,210	-	7,056	(353,154)	(353,154)	
Transportation services	159,473	-	-	(159,473)	(159,473)	
	1,065,767	-	7,056	(1,058,711)	(1,058,711)	
Other expenditures:						
AEA flowthrough	139,246	-	139,246	-	-	
Long term debt interest	44,228	-	2,489	(41,739)	(41,739)	
Long term debt services	450	-	-	(450)	(450)	
Facilities acquisition and construction	-	-	682	682	682	
Depreciation (unallocated) *	273,847	-	-	(273,847)	(273,847)	
	457,771	-	142,417	(315,354)	(315,354)	
Total governmental activities	4,185,162	287,376	919,194	(2,978,592)	(2,978,592)	

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	162,167	78,427	73,386	(10,354)
Total	\$ 4,347,329	365,803	992,580	(2,978,592)
				(2,988,946)
General Revenues:				
Property tax levied for:				
General purposes			\$ 2,139,523	-
Management levy			140,098	-
Capital outlay			187,988	-
Debt service			123,615	-
Income surtax				
General purposes			177,586	-
Capital outlay			39,512	-
Statewide sales, services and use tax			257,777	-
Unrestricted state grants			1,025,993	-
Unrestricted investment earnings			8,297	-
Other			30,918	-
Total general revenues			4,131,307	-
Change in net assets			1,152,715	(10,354)
Net assets beginning of year			3,379,648	31,281
Net assets end of year			\$ 4,532,363	20,927
				4,553,290

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Cash and pooled investments	\$1,244,421	62,697	159,587	514,978	556,479			5,688	2,543,850
Receivables:									
Property tax:									
Current year	23,917	-	1,568	-	2,092			1,375	28,952
Succeeding year	1,815,432	-	200,000	-	198,719			123,815	2,337,966
Income surtax - succeeding year	127,724	-	-	-	79,827			-	207,551
Due from other governments	106,530	-	-	42,520	-			-	149,050
Interfund receivable	2,896	14,319	-	2,201	-			-	19,416
Other receivables	51	2,478	-	-	-			-	2,529
Total assets	\$3,320,971	79,494	361,155	559,699	837,117			130,878	5,289,314

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Liabilities:									
Accounts payable	\$ 74,006	2,191	120	53,187	13,074			-	142,578
Accrued payroll and benefits	9,641	-	-	-	-			-	9,641
Interfund payable	-	-	-	-	17,215			2,201	19,416
Deferred revenue:									
Succeeding year property tax	1,815,432	-	200,000	-	198,719			123,815	2,337,966
Succeeding year income surtax	127,724	-	-	-	79,827			-	207,551
Federal programs	81,279	-	-	-	-			-	81,279
Total liabilities	2,108,082	2,191	200,120	53,187	308,835			126,016	2,798,431
Fund balances:									
Restricted for:									
Categorical funding	82,069	-	-	-	-			-	82,069
Student activities	-	77,303	-	-	-			-	77,303
Management levy	-	-	161,035	-	-			-	161,035
School infrastructure	-	-	-	506,512	-			-	506,512
Physical plant and equipment levy	-	-	-	-	528,282			-	528,282
Debt service	-	-	-	-	-			4,862	4,862
Unassigned	1,130,820	-	-	-	-			-	1,130,820
Total fund balances	1,212,889	77,303	161,035	506,512	528,282			4,862	2,490,883
Total liabilities and fund balances	\$ 3,320,971	79,494	361,155	559,699	837,117			130,878	5,289,314

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 2,490,883
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	207,551
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Capital assets used in governmental activities are not assets in the governmental funds.	3,982,218
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	(6,180)
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Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement payable	\$ (90,472)	
Leases payable	(49,439)	
QZAB loan payable	(873,704)	
Net OPEB liability	(13,494)	
General obligation bonds payable	<u>(1,115,000)</u>	<u>(2,142,109)</u>

Net assets of governmental activities (Exhibit A)	<u><u>\$ 4,532,363</u></u>
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ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Revenues:									
Local sources:									
Local tax	\$ 2,285,762	-	140,098	257,777	220,525		123,615	3,027,777	
Tuition	287,376	-	-	-	-		-	287,376	
Other	80,296	165,101	5,359	682	1,613		2,489	255,540	
State sources	1,457,027	-	-	-	84		-	1,457,111	
Federal sources	271,751	-	-	-	-		-	271,751	
Total revenues	<u>4,382,212</u>	<u>165,101</u>	<u>145,457</u>	<u>258,459</u>	<u>222,222</u>		<u>126,104</u>	<u>5,299,555</u>	
Expenditures:									
Current:									
Instruction	<u>2,529,425</u>	<u>142,144</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>2,671,569</u>	
Support services:									
Student services	75,421	-	-	-	-		-	75,421	
Instructional staff services	59,490	-	-	-	-		-	59,490	
Administration services	311,047	-	100,126	-	-		-	411,173	
Operation and maintenance of plant services	312,126	-	13,775	-	154,023		-	479,924	
Transportation services	<u>155,721</u>	<u>-</u>	<u>3,752</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>159,473</u>	
	<u>913,805</u>	<u>-</u>	<u>117,653</u>	<u>-</u>	<u>154,023</u>		<u>-</u>	<u>1,185,481</u>	

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy			
Other expenditures:								
AEA flowthrough	139,246	-	-	-	-	-	-	139,246
Long term debt principal	-	-	-	-	-	-	159,136	159,136
Long term debt interest	-	-	-	-	-	-	44,762	44,762
Long term debt services	-	-	-	-	-	450	-	450
Facilities acquisition and construction	-	-	-	315,352	-	-	-	315,352
	<u>139,246</u>	<u>-</u>	<u>-</u>	<u>315,352</u>	<u>-</u>	<u>204,348</u>	<u>-</u>	<u>658,946</u>
Total expenditures	<u>3,582,476</u>	<u>142,144</u>	<u>117,653</u>	<u>315,352</u>	<u>154,023</u>	<u>204,348</u>	<u>204,348</u>	<u>4,515,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>799,736</u>	<u>22,957</u>	<u>27,804</u>	<u>(56,893)</u>	<u>68,199</u>	<u>(78,244)</u>	<u>-</u>	<u>783,559</u>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	75,931	75,931	75,931
Operating transfers (out)	-	-	-	(62,062)	(13,869)	-	-	(75,931)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,062)</u>	<u>(13,869)</u>	<u>75,931</u>	<u>-</u>	<u>-</u>
Net change in fund balance	799,736	22,957	27,804	(118,955)	54,330	(2,313)	783,559	783,559
Fund balances beginning of year	<u>413,153</u>	<u>54,346</u>	<u>133,231</u>	<u>625,467</u>	<u>473,952</u>	<u>7,175</u>	<u>1,707,324</u>	<u>1,707,324</u>
Fund balances end of year	<u>\$ 1,212,889</u>	<u>\$ 77,303</u>	<u>\$ 161,035</u>	<u>\$ 506,512</u>	<u>\$ 528,282</u>	<u>\$ 4,862</u>	<u>\$ 2,490,883</u>	<u>\$ 2,490,883</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 783,559

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

This represents the change in income surtax receivable from the prior year 38,322

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of depreciation expense in the year are as follows:

Capital outlays	\$ 435,066	
Depreciation expense	<u>(273,847)</u>	161,219

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	16,000	
Other postemployment benefits	<u>(6,055)</u>	9,945

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

534

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

159,136

Change in net assets of governmental activities (Exhibit B) \$ 1,152,715

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>78,427</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	64,951
Benefits	10,740
Services	433
Supplies	85,163
Depreciation	<u>880</u>
Total operating expenses	<u>162,167</u>
Operating (loss)	<u>(83,740)</u>
Non-operating revenues:	
State sources	1,447
Federal sources	71,841
Interest income	<u>98</u>
	<u>73,386</u>
Change in net assets	(10,354)
Net assets beginning of year	<u>31,281</u>
Net assets end of year	<u><u>\$ 20,927</u></u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 79,455
Cash payments to employees for services	(75,691)
Cash payments to suppliers for goods or services	<u>(74,241)</u>
Net cash (used by) operating activities	<u>(70,477)</u>
Cash flows from non-capital financing activities:	
State grants received	1,447
Federal grants received	<u>62,652</u>
Net cash provided by non-capital financing activities	<u>64,099</u>
Cash flows from investing activities:	
Interest on investments	<u>98</u>
Net increase in cash and cash equivalents	(6,280)
Cash and cash equivalents beginning of year	<u>15,396</u>
Cash and cash equivalents end of year	<u><u>\$ 9,116</u></u>
Reconciliation of operating income (loss) to net cash (used by)	
operating activities:	
Operating (loss)	\$ (83,740)
Adjustments to reconcile operating profit (loss)	
to net cash provided by (used by) operating activities:	
Depreciation	880
Commodities used	9,189
Decrease in inventory	2,101
Increase in unearned revenue	1,028
Increase in accounts payable	<u>65</u>
	<u><u>\$ (70,477)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$9,189.

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and pooled investments	\$ 44,850
Liabilities	
Other payables	<u>44,850</u>
Net Assets	
Reserved for special purposes	<u>\$ -</u>

See notes to financial statements.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and agricultural area in Palo Alto, Emmet and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Armstrong-Ringsted Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria. However, the District has chosen to include as Agency Funds, all of the organizations included in Schedule 4 (except Flex 125 Plan). The Flex 125 Plan was previously included in the District's financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Kossuth and Emmet County Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the budgeted amount in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Capital assets being depreciated:				
Site improvements	136,758	7,346	-	144,104
Buildings	6,104,053	373,042	-	6,477,095
Furniture and equipment	1,170,980	54,678	-	1,225,658
Total capital assets being depreciated	7,411,791	435,066	-	7,846,857
Less accumulated depreciation for:				
Site improvements	25,308	7,205	-	32,513
Buildings	2,890,336	155,182	-	3,045,518
Furniture and equipment	695,148	111,460	-	806,608
Total accumulated depreciation	3,610,792	273,847	-	3,884,639
Total capital assets being depreciated, net	3,800,999	161,219	-	3,962,218
Governmental activities, capital assets, net	\$ 3,820,999	161,219	-	3,982,218
Business type activities:				
Furniture and equipment	\$ 10,560	-	-	10,560
Less accumulated depreciation	8,539	880	-	9,419
Business type activities capital assets, net	\$ 2,021	(880)	-	1,141
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 273,847
Business Type activities:				
Food service operations				\$ 880

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$150,478, \$138,087, and \$138,252 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$139,246 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(6) Risk Management

Armstrong-Ringsted Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 7,439	6,055	-	13,494	-
Early Retirement	106,472	30,000	46,000	90,472	53,373
Qualified Zone Academy Bonds	937,938	-	64,234	873,704	66,482
Leases Payable	59,341	-	9,902	49,439	49,439
General Obligation Bonds	<u>1,200,000</u>	<u>-</u>	<u>85,000</u>	<u>1,115,000</u>	<u>90,000</u>
Total	<u>\$2,311,190</u>	<u>36,055</u>	<u>205,136</u>	<u>2,142,109</u>	<u>259,294</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Interest	Principal	Total
2012	2.00%	\$ 37,078	90,000	127,078
2013	2.30	35,277	90,000	125,277
2014	2.60	33,208	90,000	123,208
2015	2.85	30,867	95,000	125,867
2016	3.10	28,160	95,000	123,160
2017	3.35	25,215	100,000	125,215
2018	3.60	21,865	105,000	126,865
2019	3.80	18,085	105,000	123,085
2020	4.00	14,095	110,000	124,095
2021	4.10	9,695	115,000	124,695
2022	4.15	<u>4,980</u>	<u>120,000</u>	<u>124,980</u>
Total		<u>\$258,525</u>	<u>1,115,000</u>	<u>1,373,525</u>

In fiscal year 2011, early retirement was offered to employees who attained the age of 55 and had completed ten years of contracted service with the District. A cash option not to exceed to \$30,000 was offered. There is no guarantee that the benefit will be offered in future years. One employee took advantage of the program in FY11.

Lease Payable

The District entered into a \$82,513 three year lease, with purchase options, for a school bus. Three payments of \$13,869 are required with a fair market value purchase option at the end of the lease. The interest rate is 6.65%. The first payment was made in fiscal 2009.

Details of the lease payable are as follows (assumes purchase of bus):

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	\$ <u>-</u>	<u>49,439</u>	<u>49,439</u>

Qualified Zone Academy Bonds (QZAB)

The District borrowed \$1,000,000 under the Qualified Zone Academy Bonds (QZAB). This program is aimed at Districts with 35% or more free and reduced price meal eligibility funds can be used for renovation and repairs, energy savings measures, or technology. The debt is repaid from the same fund as the original expense is made from. This will primarily, if not entirely, be from the Capital Projects Fund. The notes are non-interest bearing. The District pays \$62,062 per year plus the guaranteed interest earned on the bond. Payment schedule is as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>
2012	\$ 66,482
2013	68,809
2014	71,217
2015	73,710
2016	76,290
2017-2021	423,418
2022	<u>93,778</u>
Total	<u>\$873,704</u>

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 22 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$13,082
Interest on net OPEB obligation	186
Adjustment to annual required contribution	(1,012)
Annual OPEB cost	12,256
Contributions made	(6,201)
Increase in net OPEB obligation	6,055
Net OPEB obligation beginning of year	7,439
Net OPEB obligation end of year	<u>\$13,494</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$6,201 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$12,172	38.9%	\$ 7,439
June 30, 2011	\$12,256	50.6%	\$13,494

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$124,823, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$124,823. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,313,000 and the ratio of the UAAL to covered payroll was 5.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	473,952
Change in fund type classification per implementation of GASB Statement No. 54	<u>473,952</u>	<u>(473,952)</u>
Balances July 1, 2010, as restated	<u>\$473,952</u>	<u>-</u>

Required Supplementary Information

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual		Original Final	
Revenues:					
Local sources	\$ 3,570,693	78,525	3,649,218	3,415,426	233,792
State sources	1,457,111	1,447	1,458,558	2,642,280	(1,183,722)
Federal sources	271,751	71,841	343,592	162,000	181,592
Total revenues	5,299,555	151,813	5,451,368	6,219,706	(768,338)
Expenditures/Expenses:					
Instruction	2,671,569	-	2,671,569	2,950,887	279,318
Support services	1,185,481	-	1,185,481	2,423,414	1,237,933
Non-instructional programs	-	162,167	162,167	213,095	50,928
Other expenditures	658,946	-	658,946	1,557,701	898,755
Total expenditures/expenses	4,515,996	162,167	4,678,163	7,145,097	2,466,934
Excess (deficiency) of revenues over (under) expenditures/expenses	783,559	(10,354)	773,205	(925,391)	1,698,596
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	783,559	(10,354)	773,205	(925,391)	1,698,596
Balance beginning of year	1,707,324	31,281	1,738,605	925,391	813,214
Balance end of year	\$ 2,490,883	20,927	2,511,810	-	2,511,810

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the budgeted amount in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$127	\$127	0.0%	\$2,220	5.7%
2011	Jul 1, 2009	\$0	\$125	\$125	0.0%	\$2,313	5.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description,
funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Foreign Language Club	\$ 2,396	-	-	2,396
Interest	1,157	227	360	1,024
Student Council - High School	17	663	1,121	(441)
SCRIP Program	(59)	-	-	(59)
Class of 2011	2,510	13,046	14,204	1,352
Class of 2010	(11)	-	-	(11)
Class of 2012	4,435	2,627	2,793	4,269
Class of 2013	2,730	13,260	6,507	9,483
Class of 2014	-	1,744	447	1,297
Athletics	(1,501)	78,995	76,143	1,351
Engineering Club	-	400	16	384
Art Club	274	376	93	557
Drama Club	478	345	1,207	(384)
Jr/Sr High - Student Needs	2,892	1,094	3,516	470
Vocal	5,454	2,736	2,912	5,278
Instrumental	4,485	1,051	78	5,458
Honor Society	262	-	77	185
Petty Cash	226	-	-	226
Library Book Fair	1,387	4,916	5,075	1,228
Title I Book Fair	35	-	-	35
Elementary	-	14,318	-	14,318
Elementary - Student Needs	11,641	9,411	6,733	14,319
Middle School - Student Council	481	-	-	481
FCCLA	780	204	344	640
Drill Team	-	7,382	4,924	2,458
Cheerleaders	-	395	379	16
Yearbook/Publishing	6,039	11,013	14,335	2,717
Technology Funds (POP)	8,238	898	880	8,256
Totals	\$ 54,346	165,101	142,144	77,303

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICTSchedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2011

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Flex 125 Plan	\$ 10,085	22,486	28,453	4,118
Music Boosters	15,786	16,027	10,689	21,124
Athletic Boosters	15,207	28,622	29,512	14,317
Post Prom	3,032	8,414	7,182	4,264
A/R Helps	<u>1,020</u>	<u>7</u>	<u>-</u>	<u>1,027</u>
	<u>\$ 45,130</u>	<u>75,556</u>	<u>75,836</u>	<u>44,850</u>

See accompanying independent auditor's report.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Modified Accrual Basis									
Revenues:										
Local sources:										
Local tax	\$ 3,027,777	2,241,471	2,047,835	2,030,572	1,795,260	1,746,181	2,098,077	2,168,354	2,155,361	1,932,151
Tuition	287,376	203,011	203,470	243,263	230,328	212,314	224,679	225,388	177,070	219,298
Other	255,540	316,921	282,860	385,287	330,536	294,668	268,605	221,619	252,402	316,693
State sources	1,457,111	1,329,860	1,538,756	1,593,625	1,555,247	1,458,858	1,260,638	1,962,192	1,102,784	1,273,600
Federal sources	271,751	301,289	157,949	90,715	114,380	112,358	251,576	129,948	60,594	82,092
Total	\$ 5,299,555	4,392,552	4,230,870	4,343,462	4,025,751	3,824,379	4,103,575	4,707,501	3,748,211	3,823,834
Expenditures:										
Instruction:	\$ 2,671,569	2,675,110	2,688,949	2,570,080	2,626,052	2,485,767	2,321,291	2,187,923	2,204,189	2,307,355
Support services:										
Student services	75,421	24,764	29,517	154,489	59,250	79,631	49,275	50,953	63,044	99,787
Instructional staff services	59,490	73,189	95,673	92,379	78,654	82,658	63,851	57,982	61,861	114,204
Administration services	411,173	323,754	389,140	420,329	415,980	407,162	421,238	408,665	329,835	317,864
Operation and maintenance										
of plant	479,924	426,502	554,705	436,556	399,193	608,028	280,037	244,612	340,633	307,368
Transportation services	159,473	148,374	163,837	191,223	184,899	199,062	195,960	144,750	229,499	186,032
Central support services	-	-	-	-	-	-	-	-	1,072	-
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	779	-	-
Other expenditures:										
Facilities acquisition and										
construction	315,352	377,439	255,094	125,098	312,616	82,365	434,042	2,560,698	411,609	176,792
Long-term debt:										
Principal	159,136	260,144	70,000	65,000	60,000	60,000	55,000	35,000	-	-
Interest	44,762	44,407	59,053	57,722	59,523	60,723	61,772	78,178	-	-
Services	450	3,775	20,925	150	450	350	350	350	-	-
AEA Flowthrough	139,246	140,280	126,265	123,971	122,539	113,850	112,875	112,778	120,525	122,824
Total	\$ 4,515,996	4,497,738	4,453,158	4,236,997	4,319,156	4,179,596	3,995,691	5,882,668	3,762,267	3,632,226

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- I.R.S. Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Armstrong-Ringsted Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Armstrong-Ringsted Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Armstrong-Ringsted Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Armstrong-Ringsted Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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P.O. Box 241
Clarion, IA 50525

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bruce@frinkcpa.com

Compliance and Other Matters

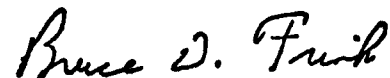
As part of obtaining reasonable assurance about whether Armstrong-Ringsted Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted no certain instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Armstrong-Ringsted Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Armstrong-Ringsted Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Armstrong-Ringsted Community School District and other parties to whom Armstrong-Ringsted Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Armstrong-Ringsted Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 22, 2012

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the certified amount budgeted in any of the four functions. The District did not exceed its unspent authorized budget.
- II-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

II-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

Beginning balance		\$625,467
Revenues/transfers in:		
Sales tax revenues	\$257,776	
Other local revenues	<u>683</u>	<u>258,459</u>
		883,926
Expenditures/transfers out:		
School infrastructure construction	315,352	
Transfers to other funds:		
Debt service fund	<u>62,062</u>	<u>377,414</u>
Ending balance		<u>\$506,512</u>

For the year ended June 30, 2011, the District did not reduced any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.